

"Fix It" Episode V - Housing and Manufacturing Lead the Way:

For those of you who perhaps are new "subscribers" to this "Report from my Laptop to Yours", I have been writing a series on the things I think we need to do in order to bring about a new, extended period of substantial growth that offers prosperity to our people, refreshes our culture and preserves and extends our hegemony in world affairs. This is Episode V. (You see how I cleverly use roman numerals in order to add a degree of erudition to these writings. My close proximity to the ways of Hollywood has not been completely without influence.) If you missed the first four Episodes, you can find them on my website [HERE](#).

Now on to Episode 5.....I mean V. Regular readers of this missive will know that restoring growth to the housing market is one of my major priorities in Congress. This is not because I'm a housing guy. I'm not really. I'm a car guy. But, the fact is that the car business and the housing business have some similarities. Both are high cost items that consumers almost always need a loan to purchase. But more importantly, they are huge parts of the economy. We never go into recession without first experiencing a slump in cars and housing. As recent proof, think about the collapse of both of these markets in late 2008. But, we also never have had a robust recovery without cars and housing leading us out. The car business is actually doing pretty well, thanks to a lot of new exciting product and the simple fact that cars eventually wear out. But, housing is still stuck in neutral. Our recovery will never be strong until housing recovers. This is not just me talking. Fed Chairman Bernanke and many other noted economists have said this on numerous occasions.

The problem with housing is housing finance. Fannie Mae and Freddie Mac, which I will refer to as the GSEs, have failed. Yet, they, along with the FHA, are the bulk of the only housing finance system that is currently in place. 97% of all home loans in the U.S. are now made or guaranteed by these entities. A recent Fed study looked at people who both traditionally (over the last 40 years or so) have been able to get a 30-year home mortgage and who consistently made those payments. Despite the fact that history says they almost all will pay it back, the study found that 30% of these people cannot qualify for a home loan today. That's because we have a system under which a single federal agency is deciding who gets a loan and who doesn't. No competition. No real market at work. No new system to replace the zombie system that is still walking while dead.

To solve this problem, Congressman Gary Peters (D-MI) and I have introduced HR 1859, The Housing Finance Reform Act. It is beyond the scope of this report to get into the details of the

bill. You can find those in a previous report I did [HERE](#) and on my website [HERE](#) . Suffice it to say that the bill winds down Fannie and Freddie over 5 years, returns FHA to its traditional role of the lender of last resort, and creates a new system of housing finance. This system is built upon multiple private entities competing in the marketplace with the ability to purchase a government guarantee in order to ensure the continuation of the 30-year mortgage. In principle, the guarantee is similar to how FDIC insurance works for your bank account. Our bill would also ensure that a lot of private capital is put at risk ahead of any taxpayer exposure in order to avoid a repeat of 2008. Housing will not recover without fixing housing finance and the economy will not recover without housing. We must work together towards solutions like this.

Manufacturing: In Episode III, I gave you my views on energy policy and described the tenets of a policy I would endorse. The idea of having a national energy policy has been the subject of much discussion in Washington for years and is certainly not a news flash. The conversation is usually based on how to secure domestically-produced, cheap, clean energy. However, what is not often discussed is the idea of having a national manufacturing policy. We need one. The idea here would be to secure American manufacturing and American manufacturing jobs.

So, why should we do this? As great as our technology and information industries are and will continue to be, we should not be a country that doesn't build anything. In one sense, this is a major national security risk. We do not want to be dependent on some other country for planes, trains, automobiles and any number of other things in the event of war, economic crisis or major natural disaster. Secondly, it is a source of diversification for our increasingly information-based economy. And third, but definitely not last, manufacturing is a source of a lot of good middle class jobs for people with physical skill sets. Personally, I am a bit mechanically inept. I literally regularly mess up the rather pedestrian task of replacing a light bulb. If you don't believe me, just ask the captivating Mrs. Campbell who often performs such tasks at home for fear that I will burn the house down or hurt myself. Fortunately, God gave me a few other talents. But, I have tremendous respect for those to whom God gave the mechanical talents which frankly mystify me. We need jobs for people who build things, not just for people who think things.

And, in our hyper-globalized world, other countries have policies designed to attract and retain manufacturing. We should not go into that gun fight with a knife. We need our own policy. So what does that policy look like? It should have a number of parts. We should have rapid tax deductibility of equipment used in manufacturing policies, as well as for the buildings in which that equipment is used. We have to improve infrastructure for the movement of parts and inventory (this will be part of the subject of Episode VI). We should make changes to our extremely uncompetitive litigation system so that people can build things without half the cost of the product tied up in liability insurance. As discussed, we need to implement policies that facilitate cheap and reliable energy. And, we should restore manufacturing trade schools to a respected place in our education system in order to educate a new workforce in a skill with

direct application to a manufacturing job. We also need sensible labor laws that afford manufacturers and workers flexibility. That, by the way, is the opposite of what the extremely anti-growth NLRB (National Labor Relations Board) is doing. It's hard for me to count how many jobs that miserable board is costing Americans right now. And finally, we need tax systems that do not punish companies that do business internationally while locating their manufacturing here. Today, we do punish them and force what could otherwise be American jobs overseas.

We are not going to build plastic toys in America anymore, nor should we. Through advanced manufacturing, however, there are a lot of complex processes that we execute better and often cheaper than anyone else. We have the best, most skilled and most trustworthy labor force on earth. And yes, they are paid more and I want them to be paid more. But, they are also more productive, which more than offsets the higher wages. We also represent the world's largest market. If you really look at why manufacturing locates overseas, it is not because of wages. It is tax policy, labor rules, environmental regulation, litigation risk or infrastructure limitations that cause the problem. We can fix all of that. Now, please understand, I do not want China's environmental rules or labor laws or litigation system. Far from it. They are all awful. But, we can protect our workers, our environment and our consumers much more sensibly than we do today, and can do so without scaring away jobs and manufacturing technologies.

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